

Message Text

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44

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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TAGS: EAIR, BL

SUBJECT: BRANIFF PROPOSED CHANGE IN EXCURSION RATES BETWEEN
LA PAZ AND MIAMI

1. IN SEPTEMBER 1975, BRANIFF AIRWAYS REQUESTED GOB'S APPROVAL FOR REDUCTIONS IN EXCURSION AND GROUP RATES ON ITS LA PAZ-MIAMI ROUTE. BRANIFF'S INTENTION WAS TO BE COMPETITIVE WITH THE FARES ON THE NEWLY INITIATED FLIGHTS BETWEEN BOLIVIA AND MIAMI BY BOLIVIA'S NATIONAL AIRLINE LLOYD AERO BOLIVIANO (LAB). INFORMALLY GOB OFFICIALS LET BRANIFF KNOW THAT THEY OPPOSED THE FARE REDUCTION, BUT IN A LETTER OF MARCH 2, 1976, THEY ADVISED BRANIFF THAT THEY HAD SUGGESTED TO THE PRESIDENT OF LAB THAT HE HOLD DISCUSSIONS WITH BRANIFF OFFICIALS ON THE FARE CHANGE AND ARRIVE AT AN AGREEMENT BETWEEN THE COMPANIES.

2. IN JUNE, 1976, BRANIFF'S US HEADQUARTERS ADVISED LOCAL BRANIFF REPRESENTATIVE, JULIO QUIROGA, THAT SUCH DISCUSSIONS WITH LAB WOULD BE IN VIOLATION OF US ANTITRUST LAWS. BRANIFF ALSO INFORMED QUIROGA THAT IT WOULD SEEK ASSISTANCE OF US GOVERNMENT IN PRESENTING PROPOSED RATE CHANGE TO GOB.

3. QUIROGA NOW HAS ASKED EMBASSY FOR HELP IN OBTAINING GOB APPROVAL FOR FARE CHANGE. EMBASSY OFFICERS MET WITH GOB SUB-SECRETARY OF AVIATION, JAVIER CERRUTO, AND EXPLAINED
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THAT BRANIFF CONSIDERS ITSELF BARRED BY US ANTITRUST LAWS FROM

DISCUSSIONS WITH LAB AND ASKED WHETHER CERRUTO KNEW ANY OTHER WAY OF PROCEEDING WITH CONSIDERATION OF BRANIFF'S REQUEST. CERRUTO SAID THAT GOB'S NORMAL PROCEDURE IS FOR FOREIGN AIRLINES TO DISCUSS RATES WITH LAB AND IF AGREEMENT IN PRINCIPLE REACHED, A RATE CHANGE IS PRESENTED TO MINISTRY OF TRANSPORTATION AND COMMUNICATIONS FOR APPROVAL. CERRUTO SAID GOB WOULD BE AMENABLE TO ALTERNATE MEANS OF REACHING A SOLUTION, BUT HE REQUESTED THE USG'S WRITTEN CONFIRMATION THAT DIRECT BRANIFF/LAB FARE DISCUSSIONS WOULD BE PROHIBITED BY US LAW. IN SUCH CASE, HE SAID, THE MINISTRY WOULD PROBABLY APPOINT A COMMISSION TO STUDY FARE CHANGE AND MAKE A RECOMMENDATION.

4. ACCORDING TO INFORMATION PROVIDED BY BRANIFF, THE PROPOSAL IS TO REDUCE THE EXCURSION FARE FROM \$US 638 TO \$US 552 FOR MIAMI-LA PAZ-MIAMI 14-28 DAY EXCURSION, AND FROM \$US 638 TO \$US 521 FOR LA PAZ-MIAMI-LA PAZ ROUTE. A GROUP AFFINITY FARE (MINIMUM 25 PASSENGERS) OF \$420 WAS ALSO PROPOSED. THE NEW FARES ARE DESIGNED TO COMPETE WITH THE FARES ON LAB'S FLIGHTS INAUGURATED IN SEPTEMBER 1975 FROM BOLIVIA TO MIAMI. LAB'S ROUND-TRIP FARE FOR LA PAZ-SANTA CRUZ-MIAMI ROUTE IS \$US 521 EXCURSION AND \$US 420 FOR GROUP RATES. QUIROGA STATES THAT SINCE LAB INAUGURATED ITS FLIGHT TO MIAMI, BRANIFF HAS SUFFERED A SUBSTANTIAL REDUCTION IN PASSENGER TRAFFIC IN ITS LA PAZ-MIAMI ROUTE. LAB PRESENTED ITS VIEWS ON BRANIFF EXCURSION RATE REDUCTIONS TO MINISTRY OF TRANSPORTATION IN LETTER DATED NOVEMBER 18, 1975, STATING OPPOSITION IF REDUCTIONS MADE IN BOLIVIAN ROUTES ONLY. RECENT CONVERSATIONS EMBOFFS HELD WITH LAB PRESIDENT INDICAT POSITION REMAINS THE SAME. LAB'S OPINION IN THE PAST HAS BEEN VIRTUALLY DEFINITIVE WITH GOB MINISTRY OF TRANSPORTATION.

5. ACTION REQUESTED: ASSUMING BRANIFF CORRECT THAT IT IS UNABLE TO CONSULT DIRECTLY WITH LAB, WE BELIEVE NEXT STEP IS FOR BRANIFF TO ADVISE GOB FORMALLY OF THIS SITUATION AND FOR USG TO CONFIRM THE APPLICATION OF US ANTITRUST LAWS. IF DEPARTMENTS CONCURS IN THIS COURSE OF ACTION WE WOULD APPRECIATE HAVING SPECIFIC LEGAL CITATION. IN ADDITION, WE WOULD APPRECIATE GUIDANCE FROM DEPARTMENT ON WHAT FURTHER ACTION EMBASSY SHOULD APPROPRIATELY TAKE TO ASSIST BRANIFF. DOES THE US-BOLIVIAN BILATERAL AIR AGREEMENT HAVE A BEARING ON LIMITED OFFICIAL USE

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GOB APPROVAL OF TRAFFIC RATES? DOES IATA HAVE A ROLE IN FARE CHANGE SITUATION SUCH AS THIS? (BRANIFF'S PROPOSED FARES FOR BOLIVIA ARE CONTAINED IN THE IATA AGREEMENT ON FARES IN THE US-SOUTH AMERICA MARKET EFFECTIVE MAY 6, 1976.)
STEDMAN

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